

Approved For Release 2001/08/25 : CIA-RDP76M00527R000700010004-9

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| Approved For Release 2001/08/25 : CIA-RDP76M00527 | | |
| TRANSMITTAL SLIP | | |
| 3 October 1974 | | |
| TO: | | |
| Mr. [REDACTED] | | |
| ROOM NO. 7 D 43 | BUILDING Headquarters | |
| REMARKS: | | |
| Per our conversation of this morning. | | |
| FROM: | | |
| [REDACTED] | | |
| ROOM NO. | BUILDING | EXTENSION |

25X1A

CONFIDENTIAL

Approved For Release 2001/08/25 : CIA-RDP76M00527R000700010004-9

file 74-2157
26 September 1974

25X1A

MEMORANDUM FOR: [REDACTED]

SUBJECT: Proposed Revision of Section 921, IRC

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1. Several days ago I discussed with you a proposed revision to Section 921 of the Internal Revenue Code. You advised that the [REDACTED] had requested a copy of the proposed revision because several of their contacts have expressed concern about the proposal becoming law. In that conversation you indicated that you and the station were not asking for any guidance from this Office on proposed revision, but simply a copy of it. Please find the same attached.

2. If I can be of any further service, please advise.

25X1A

[REDACTED]
Assistant General Counsel

Att

E2 IMPDET
CL BY 058473

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Internal Revenue Service

September 24, 1974

To: Gary B. [redacted] [signature]

25X1A

Mr. [redacted]

Per your request. This proposal is a part of Title III of Ways and Means Tax Reform Act of 1974.

RCB

R. C. Blankenship
Acting Director
Research Division

Attachment

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1 or for the next preceding taxable year of the corpora-
2 tion, is a corporation exempt from tax under section
3 501 (relating to certain charitable, etc., organizations)
4 or section 521 (relating to farmers' cooperative associ-
5 ations) ; or

6 “(2) out of earnings and profits of a corporation
7 attributable to amounts excluded from the gross income
8 of such corporation under section 931.”

9 (h) EFFECTIVE DATES.—

10 (1) The amendments made by this section (other
11 than subsection (g)) shall apply to taxable years begin-
12 ning after December 31, 1974.

13 (2) The amendment made by subsection (g) shall
14 apply with respect to distributions made after Decem-
15 ber 31, 1975.

16 SEC. 362. WESTERN HEMISPHERE TRADE CORPORATIONS.

17 (a) PHASEOUT OF SPECIAL DEDUCTION FOR WEST-
18 ERN HEMISPHERE TRADE CORPORATIONS.—Section 922
19 (special deduction for Western Hemisphere trade corpora-
20 tions) is amended by adding at the end thereof the fol-
21 lowing new subsection :

22 “(b) PHASEOUT OF DEDUCTION.—In the case of a
23 taxable year beginning after December 31, 1974, and be-
24 fore January 1, 1979, the percent specified in subsection

(1 (a) (2) (A) shall be (in lieu of 14 percent) the percent
2 specified in the following table:

| For a taxable year beginning in— | The percentage shall be— |
|-------------------------------------|-----------------------------|
| 1975_____ | 11 |
| 1976_____ | 8 |
| 1977_____ | 5 |
| 1978_____ | 2". |

3 (b) DEDUCTION AVAILABLE ONLY FOR CORPORA-
4 TIONS PRESENTLY QUALIFIED.—Section 921 (defining
5 Western Hemisphere trade corporation) is amended by
6 adding at the end thereof the following new sentence;
7 “The term ‘Western Hemisphere trade corporation’ does
8 not include any corporation for a taxable year unless such
9 corporation—

10 “(A) qualified under the first sentence of this sec-
11 tion for its last taxable year beginning before January 1,
12 1974, and

13 “(B) at least 90 percent of the gross income of
14 such corporation for the taxable year from the active
15 conduct of trades and businesses is derived from the
16 active conduct of trades and businesses which were
17 actively conducted by such corporation during its last
18 taxable year beginning before January 1, 1974.

19 (c) REPEAL OF WESTERN HEMISPHERE TRADE COR-
20 PORATION DEDUCTION FOR TAXABLE YEARS BEGINNING

21 AFTER 1978.—Subpart C of part III of subchapter N of
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1 chapter 1 (relating to Western Hemisphere trade corpora-
2 tions) is hereby repealed.

3 (d) CONFORMING AMENDMENTS.—

4 (1) The first sentence of section 922 (relating to
5 special deduction) is amended by striking out “In the
6 case of” and inserting in lieu thereof the following:

7 “(a) GENERAL RULE.—In the case of”.

8 (2) Section 170(b)(2) (relating to percentage
9 limitations on charitable contributions in the case of cor-
10 porations) is amended by adding “and” at the end of
11 subparagraph (C), by striking out subparagraph (D),
12 and by redesignating subparagraph (E) as subpara-
13 graph (D).

14 (3) Section 172(d) (relating to modifications for
15 purposes of the net operating loss deduction) is amended
16 by striking out paragraph (5) and by redesignating
17 paragraph (6) as paragraph (5).

18 (4) Subsection (f) of section 907 (as redesignated
19 by section 342(b)(2)) is hereby repealed.

20 (5) Section 1503 (relating to computation and
21 payment of tax in the case of consolidated returns) is
22 amended by striking out subsection (b) and by striking
23 out “(a) GENERAL RULE.—”.

24 (6) Section 6091(b)(2)(B)(ii) (relating to
25 place for filing tax returns of corporations) is amended by

1 striking out "section 922 (relating to special deduction
2 for Western Hemisphere trade corporations).", and by
3 striking out the comma immediately preceding "or sec-
4 tion 941".

5 (7) The table of subparts for part III of sub-
6 chapter N of chapter 1 is amended by striking out the
7 item relating to subpart C.

8 (e) EFFECTIVE DATES.—The amendments made by
9 subsections (a), (b), and paragraph (1) of subsection (c)
10 shall apply with respect to taxable years beginning after
11 December 31, 1974. The amendments made by subsection
12 (c) ✓(other than paragraph (1)) and by subsection (d)
13 shall apply with respect to taxable years beginning after
14 December 31, 1978.

15 **PART VII—OTHER AMENDMENTS**

16 **SEC. 371. REPEAL OF PERCENTAGE DEPLETION FOR FOR-**
17 **EIGN MINERALS.**

18 (a) AMENDMENT TO SECTION 613.—The first sen-
19 tence of section 613 (a) (relating to the allowance of per-
20 centage depletion) is amended by inserting "located within
21 the United States or within a possession of the United States
22 and" immediately after "other natural deposits".

23 (b) TECHNICAL AMENDMENTS.—

24 (1) The last sentence of paragraph (1) of section
25 617 (a) (relating to deduction of certain mining explora-